Stock Code: 3213

Mildef Crete Inc. and Its Subsidiaries

Consolidated Financial Statements and Certified Public Accountant's Audit Report

2022 and 2021

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Notice to Reader:
For the convenience of readers, this report has been translated into English from the original Chinese version, prepared and used in the Republic of China. The English version has not been audited or reviewed by independent auditors. If there are any discrepancies between the English version and the original Chinese version, or any difference in the interpretation of the two versions, the Chinese-language report shall prevail.

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Declaration

In 2022 (from January 1 to December 31, 2022), the companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of parent and subsidiaries as required in the International Financial Reporting Standards (IFRS) 10 recognized by Financial Supervisory Commission, and relevant information that should be disclosed in the consolidated financial statements of associates has all been disclosed in the consolidated financial statements of parent and subsidiaries. The Company hereby produces this declaration to the effect that preparation for the separate consolidated financial statements of affiliates is not required.

A statement is hereby specially made.

Name of the Company: Mildef Crete Inc.

Chairman: Shen Yi-tong

Date: 23 March, 2023

Certified Public Accountant's Audit Report

To the Board of Directors of Mildef Crete Inc.

Opinion

We have audited consolidated balance sheets of Mildef Crete Inc. and its subsidiaries as of December 31, 2022 and 2021, as well as statements of comprehensive income, changes in equity and cash flows for the periods from January 1 to December 31, 2022 and 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the aforementioned consolidated financial statements have been prepared in all material aspects according to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission. They fairly present financial position of Mildef Crete Inc. and its subsidiaries as of December 31, 2022 and 2021, and the financial performance and cash flow for the periods from January 1 to December 31, 2022 and 2021.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Mildef Crete Inc. and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the year 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We judge that they key audit matters to be communicated in the audit report are as follows:

Inventory valuation

As to detailed accounting policies related to inventory valuation refer to Note 4 (8) to the consolidated financial statements; for details on estimation and hypothesis uncertainty of inventory valuation, refer to Note 5 to the consolidated financial statements; concerning provision for Write-downs of inventories and obsolescence losses, refer to Note 6 (4) to the consolidated financial statements.

Explanations of key audit matters:

Inventories shall be measured based on the cost or the net realisable value whichever is lower. Mildef Crete Inc. and its subsidiaries are engaged in manufacturing and selling rugged computers. Generally, life cycle of rugged computers is long. In consideration of businesses, inventories shall be maintained for certain key components in a relatively long term. However, future requirements might change. As a consequence, related components would not be sold as expected and their inventories would become obsolete and slow-moving. In that case, inventory costs would exceed their net realisable value. The net realisable value of inventories has to be estimated dependent upon subjective judgment of the management, so inventory valuation is one of important matters for evaluation in our audit of financial statements of Mildef Crete Inc. and its subsidiaries.

Corresponding audit procedures:

Our audit procedures performed in respect of the above key audit matter mainly included checking the inventory aging reports provided by Mildef Crete Inc. and its subsidiaries and analyzing changes in inventory age in different phases; randomly checking correctness of the inventory aging reports; performing inventory valuation and confirming implementation of existing accounting policies by Mildef Crete Inc. and its subsidiaries; and evaluating appropriateness of the past loss allowance for obsolete and slow-moving inventories by the management.

Other Matters

Mildef Crete Inc. has prepared the parent company only financial statements for 2022 and 2021, and we have issued an auditors' report with unqualified opinions for reference.

Responsibilities of Management and Governing Body for the Consolidated Financial Statements

Management is responsible for preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission, and for such internal control as management determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the abilities of Mildef Crete Inc. and its subsidiaries to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Mildef Crete Inc. and its subsidiaries or to cease their operations or has no realistic alternative but to do so.

The governing body of Mildef Crete Inc. and its subsidiaries including the audit committee, are responsible for overseeing the financial reporting processes.

Accountants' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the general accepted auditing standards will always detect a material misstatement when it exists. Misstatements might arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misstatement, or override of internal control.
2. Obtain necessary understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Mildef Crete Inc. and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Mildef Crete Inc. and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention of the users in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Mildef Crete Inc. and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including related notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities within the Consolidated Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain responsible for our audit opinion.

We communicate with governing body regarding, among other matters, the planned scope and timing of audit, and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide governing body a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with governing body, we determine those key matters in the audit of the consolidated financial statements of Mildef Crete Inc. and its subsidiaries for the year 2022. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Taiwan

CPA: Wei-Ming Shi

Mei-Yan Chen

Competent Securities Authority's Approval Document No. ： Jin-Guan-Zheng-VI Zi No. 0950103298
(88) Tai-Cai-Zheng (VI) No.18311

March 23, 2023

Mildef Crete Inc. and Its Subsidiaries

Consolidated Balance Sheets

December 31, 2022 and 2021

Unit: NT$ thousand

Code	Assets	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current assets:				
1100	Cash and cash equivalents (Note 6 (1))	$ 488,751	15	500,086	17
1110	Financial assets at fair value through profit or loss - current (Note 6 (2))	20,030	1	120,065	4
1150	Net notes and accounts receivable (Note 6 (3) and (16))	96,180	3	65,356	2
1180	Net amounts of accounts receivable - related parties (note 6 (3), (16) and 7)	11,683	-	6,376	-
130X	Inventories (Note 6 (4))	1,041,074	31	901,160	31
1476	Other financial assets - current (Note 6 (1))	206,100	6	246,020	8
1479	Other current assets	25,299	1	19,960	1
	Total current assets	1,889,117	57	1,859,023	63
	Non-current assets:				
1517	Financial assets at fair value through other comprehensive profit or loss - non-current (Note 6 (2))	1,054,500	32	724,022	25
1600	Property, plant and equipment (Notes 6 (6) and 8)	242,500	7	242,238	8
1755	Right-of-use assets (Note 6 (7))	49,668	1	51,511	2
1780	Intangible assets (Note 6 (8))	9,417	-	7,765	-
1840	Deferred income tax assets	64,860	3	68,010	2
1990	Other non-current assets (Note 8)	5,600	-	5,600	-
	Total non-current assets	1,426,545	43	1,099,146	37
	Total	**$ 3,315,662**	**100**	**2,958,169**	**100**

Code	Liabilities and equity	2022.12.31 Amount	%	2021.12.31 Amount	%
	Current liabilities:				
2130	Contract liabilities - current (Notes 6 (16) and 7)	$ 246,664	7	263,911	9
2150	Notes payable	53,211	2	24,588	1
2170	Accounts payable	149,623	5	106,155	3
2209	Payables (Note 6 (17))	106,484	3	116,163	4
2220	Other payables-related party (Note 7)	2,010	-	-	-
2230	Current income tax liabilities	38,596	1	58,919	2
2280	Lease liabilities-current (Note 6 (10))	24,808	1	22,898	1
2399	Other current liabilities	394	-	392	-
2322	Long-term loans due within one year (Notes 6 (9) and 8)	-	-	1,751	-
	Total current liabilities	621,790	19	594,777	20
	Non-current liabilities:				
2552	Provisions for warranty liabilities	6,855	-	4,535	-
2570	Deferred income tax liabilities	204,124	6	137,055	5
2580	Lease liabilities-non-current (Note 6 (10))	25,088	1	28,629	1
2640	Net defined benefit liabilities－non-current	28,737	1	52,983	2
	Total non-current liabilities	264,804	8	223,202	8
	Total liabilities	886,594	27	817,979	28
	Owner's equity attributable to the parent company (Note 6 (5) and (14)):				
3110	Capital stock - ordinary shares	586,855	18	586,855	20
3200	Capital surplus	72,650	2	72,650	2
3300	Retained earnings	1,372,791	42	1,361,658	46
3400	Other equity	380,825	11	105,054	4
	Owner's equity attributable to the parent company	2,413,121	73	2,126,217	72
36xx	Non-controlling interests	15,947	-	13,973	-
	Total equity	2,429,068	73	2,140,190	72
	Total liabilities and equity	**$ 3,315,662**	**100**	**2,958,169**	**100**

(For details, please refer to notes to the consolidated financial statements)

Chairman: Shen Yi-tong **Manager: Shen Yi-tong** **Accounting Supervisor: Liu Ya-ping**

Mildef Crete Inc. and Its Subsidiaries

Consolidated Statements of Comprehensive Income

January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	**Operating income (Notes 6 (16), 7 and 14)**	$ 2,708,366	100	2,807,705	100
5000	**Operating cost (Note 6 (4), (7), (10), (12), (17), 7 and 12)**	2,150,191	79	2,192,100	78
	Gross operating profit	558,175	21	615,605	22
5910	Less: Unrealized gain from sales	-	-	(4,488)	-
	Realized gross operating profit	558,175	21	620,093	22
	Operating expenses (Note 6 (7), (10), (12), (17), 7 and 12):				
6100	Selling and marketing expenses	175,312	6	182,778	6
6200	General and administrative expenses	47,245	2	47,276	2
6300	Research and development expenses	69,796	3	65,491	2
	Total operating expenses	292,353	11	295,545	10
	Net operating profit	265,822	10	324,548	12
	Non-operating income and expenses:				
7100	Interest income (Note 6 (18))	8,912	-	8,247	-
7010	Other income (Note 6 (18))	18,151	1	10,491	-
7020	Other gains and losses (Note 6 (18))	13,428	-	(5,371)	-
7060	Share of the profit (loss) of associates accounted by equity method (Note 6 (5))	-	-	(24,862)	(1)
7225	Gains on disposal of investments (Note 6 (5))	-	-	496,607	18
7510	Financial costs (Note 6 (10) and (18))	(828)	-	(483)	-
	Total non-operating income and expenses	39,663	1	484,629	17
	Net profit before tax	305,485	11	809,177	29
7951	**Less: Income tax expense (Note 6 (13))**	70,105	2	164,802	6
	Current net profit	235,380	9	644,375	23
8300	**Other comprehensive profit or loss:**				
8310	**Items not reclassified as profit or loss**				
8311	Remeasurement of defined benefit plans (Note 6 (12))	15,452	1	1,688	-
8316	Unrealized gain on investments in equity instruments at fair value through other comprehensive profit or loss	330,478	12	166,995	6
8349	Less: Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 6 (13))	70,159	3	33,486	1
	Total amount of items not reclassified to profit or loss	275,771	10	135,197	5
8360	**Items that may be reclassified subsequently to profit or loss**				
8370	Amount of other comprehensive income or loss of associates accounted by equity method (Note 6 (5))	-	-	14,798	-
8399	Less: Income tax relating to items that may be reclassified subsequently to profit or loss	-	-	-	-
	Total amount of items that may be reclassified subsequently to profit or loss	-	-	14,798	-
8300	**Other comprehensive profit or loss in current period**	275,771	10	149,995	5
	Total amount of other current comprehensive profit or loss	$ 511,151	19	794,370	28
	Net profit or loss attributable to:				
8610	Owners of parent company	$ 228,270	9	638,192	23
8620	Non-controlling interests	7,110	-	6,183	-
		$ 235,380	9	644,375	23
	Total comprehensive profit or loss attributable to:				
8710	Owners of parent company	$ 504,041	19	788,187	28
8720	Non-controlling interests	7,110	-	6,183	-
		$ 511,151	19	794,370	28
	Earnings per share (NT$; (Note 6 (15))				
	Basic earnings per share	$	3.89		10.87
	Diluted earnings per share	$	3.83		10.72

(For details, please refer to the notes to the consolidated financial report for details)

Chairman: Shen Yi-tong **Manager: Shen Yi-tong** **Accounting Supervisor: Liu Ya-ping**

Mildef Crete Inc. and Its Subsidiaries

Consolidated Statements of Changes in Equity

January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT$ thousand

			Retained earnings				Other Equity Items						
	Capital stock - ordinary shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Total	Share of the other comprehensive profit or loss of associates accounted for using the equity method	Unrealized gain/loss on financial assets at fair value through other comprehensive profit or loss	Defined benefits plans remeasurement	Total	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance on January 1, 2021	$ 586,855	72,650	421,570	52,277	516,192	990,039	(14,798)	(9,783)	(20,360)	(44,941)	1,604,603	17,986	1,622,589
Current net profit	-	-	-	-	638,192	638,192	-	-	-	-	638,192	6,183	644,375
Other comprehensive profit or loss in current period	-	-	-	-	-	-	14,798	133,847	1,350	149,995	149,995	-	149,995
Total amount of other current comprehensive profit or loss	-	-	-	-	638,192	638,192	14,798	133,847	1,350	149,995	788,187	6,183	794,370
Appropriation and distribution of earnings:													
Legal reserve	-	-	34,611	-	(34,611)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,335)	7,335	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(264,085)	(264,085)	-	-	-	-	(264,085)	-	(264,085)
Changes in capital surplus from investments in associates accounted for using the equity method	-	37,626	-	-	-	-	-	-	-	-	37,626	-	37,626
Disposal of associates by equity method	-	(37,626)	-	-	-	-	-	-	-	-	(37,626)	-	(37,626)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,827)	(5,827)
Differences between equity price paid and carrying amount of subsidiaries acquired	-	-	-	-	(2,488)	(2,488)	-	-	-	-	(2,488)	2,488	-
Changes in percentage of ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(6,857)	(6,857)
Balance on December 31, 2021	586,855	72,650	456,181	44,942	860,535	1,361,658	-	124,064	(19,010)	105,054	2,126,217	13,973	2,140,190
Current net profit	-	-	-	-	228,270	228,270	-	-	-	-	228,270	7,110	235,380
Other comprehensive profit or loss in current period	-	-	-	-	-	-	-	263,409	12,362	275,771	275,771	-	275,771
Total amount of other current comprehensive profit or loss	-	-	-	-	228,270	228,270	-	263,409	12,362	275,771	504,041	7,110	511,151
Appropriation and distribution of earnings:													
Legal reserve	-	-	63,570	-	(63,570)	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(44,942)	44,942	-	-	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(217,137)	(217,137)	-	-	-	-	(217,137)	-	(217,137)
Cash dividends on acquiring subsidiaries with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(5,136)	(5,136)
Balance on December 31, 2022	$ 586,855	72,650	519,751	-	853,040	1,372,791	-	387,473	(6,648)	380,825	2,413,121	15,947	2,429,068

(For details, please refer to notes to the consolidated financial statements)

Chairman: Shen Yi-tong **Manager: Shen Yi-tong** **Accounting Supervisor: Liu Ya-ping**

Mildef Crete Inc. and Its Subsidiaries

Consolidated Statements of Cash Flows

January 1 to 31 December, 2022 and January 1 to 31 December, 2021

Unit: NT$ thousand

	2022	2021
Cash flows from operating activities:		
Net income before tax	$ 305,485	809,177
Adjustments for:		
Profit and loss		
Depreciation expense	49,025	47,984
Amortization expense	5,139	4,653
Net gain on financial assets at fair value through profit or loss	(225)	(357)
Interest expenses	828	483
Interest income	(8,912)	(8,247)
Dividend income	(16,338)	(8,844)
Share of loss of associates accounted for using the equity method	-	24,862
Gain on disposal of property, plant and equipment	(44)	-
Returns on Investments accounted for using the equity method	-	(496,607)
Realized gain on sales of goods	-	(4,488)
Total profit and loss	29,473	(440,561)
Changes in assets/liabilities related to operating activities:		
Net changes in assets related to operating activities:		
Notes and accounts receivable	(30,824)	(42,003)
Accounts receivable - related parties	(5,307)	156,740
Inventories	(139,914)	(39,192)
Other current assets	(5,339)	(3,788)
Total net changes in assets related to operating activities	(181,384)	71,757
Net changes in liabilities related to operating activities:		
Contract liabilities	(17,247)	41,578
Notes payable	28,623	(22,342)
Accounts payable	43,468	5,315
Other payable-related parties	2,010	(900)
Provisions for warranty liabilities	2,320	(3,261)
Accrued expenses and other current liabilities	(9,677)	1,429
Net defined benefit liabilities	(8,794)	(3,148)
Total amount of net changes in liabilities related to operating activities	40,703	18,671
Total amount of net changes in assets and liabilities related to operating activities	(140,681)	90,428
Total adjustments	(111,208)	(350,133)
Net cash generated from/(used in) operations	194,277	459,044
Interest received	8,912	8,247
Income tax paid	(90,368)	(104,026)
Net cash inflow from operating activities	112,821	363,265
Cash flows from investing activities:		
Purchase of financial assets at fair value through profit or loss	(20,000)	(330,000)
Disposal of financial assets at fair value through profit or loss	120,260	330,327
Disposal of investments accounted for using the equity method	-	77,185
Acquisition of property, plant and equipment	(18,144)	(13,343)
Disposal of property, plant and equipment	152	-
Increase in other non-current assets	-	(195)
Acquisition of intangible assets	(6,791)	(8,304)
Decrease in other financial assets- -current	39,920	9,000
Dividends received	16,338	26,451
Net cash inflow from investing activities	131,735	91,121
Cash flows from financing activities:		
Repayments of long-term loans	(1,751)	(2,101)
Payment of the principal portion of lease liabilities	(31,039)	(30,090)
Payments of cash dividends	(217,137)	(264,085)
Cash dividends paid to non-controlling interests	(5,136)	(5,827)
Non-controlling interests gained from subsidiaries	-	(6,857)
Interests paid	(828)	(483)
Net cash outflow of financing activities	(255,891)	(309,443)
Increase (decrease) in cash and cash equivalents in this period	(11,335)	144,943
Opening balance of cash and cash equivalents	500,086	355,143
Closing balance of cash and cash equivalents	$ 488,751	500,086

(For details, please refer to notes to the consolidated financial statements)

Chairman: Shen Yi-tong **Manager: Shen Yi-tong** **Accounting Supervisor: Liu Ya-ping**

Mildef Crete Inc. and Its Subsidiaries
Notes to the Consolidated Financial Statements
2022 and 2021
(In NT$ thousand, except otherwise specified)

I. Company History

Mildef Crete Inc. (hereinafter referred to as the "Company") was established upon approval of the Ministry of Economic Affairs on March 15, 1990 with its registered address at 7th Floor, No. 250, Section 3 Beishen Road, Shenkeng District, New Taipei City. The Company and its subsidiaries (hereinafter collectively referred to as the "Consolidated Company") are mainly engaged in the research, design, planning, manufacture, sale and import and export trade of various computer software/hardware and its components, manufacturing and installation of related computer software/ hardware combinations, consulting services, and investment in related businesses.

II. Date and Procedure for Approval of Financial Statements

This consolidated financial report was approved by the Board of Directors on March 23, 2022.

III. Applicability of Newly Issued and Revised Standards and Interpretations

(I) Adoption of newly issued and revised standards and interpretations approved by the Financial Supervisory Commission (hereinafter referred to as "FSC").

The Consolidated Company adopted the following newly revised International Financial Reporting Standards (IFRS) effective from January 1, 2022, with no material impact on the consolidated financial statements.

- Amendments to IAS 16 "Property, Plant and Equipment — Proceeds before Intended Use"
- Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"
- Annual Improvements on IFRS for the period of 2018--2020
- Amendments to IFRS 3 "Reference to Conceptual Framework"

(II) Impact of non-adoption of International Financial Reporting Standards (IFRS) endorsed by the FSC

The application of the following newly amended IFRS effective on January 1, 2023 will not have significant influence on the consolidated financial statements.

- Amendments to IAS 1 "Disclosure of Accounting Policies"
- Amendments to IAS 8 "Definition of Accounting Estimates"
- Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

(III) New and amended standards and interpretations not yet endorsed by the FSC

The standards and interpretations that have been issued and amended by the International Accounting Standards Board (IASB) but have not yet been endorsed by the FSC, which may be relevant to the Consolidated Company are as follows:

New and amended standards	Main amendments	Effective date announced by the IASB
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	The current IAS 1 stipulates that enterprises classify their liabilities as current when they do not have unconditional right to defer settlement for at least twelve months after the reporting period. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional, and instead requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how companies should classify liabilities repaid by issuing their own equity instruments (such as convertible corporate bonds).	January 1, 2024

The Consolidated Company is currently evaluating the impacts of the above standards and interpretations on its financial position and operating results and will disclose relevant impacts when completing the evaluation.

The Consolidated Company does not expect that the new and amended standards below not yet endorsed by the FSC will have a material impact on the consolidated financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or Investment of Assets between Investors and Their Associates or Joint Ventures"
- IFRS 17 "Insurance Contracts" and Amendments to IFRS 17
- Amendments to IAS 1 "Non-current Liabilities with Contractual Terms"
- Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"
- Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"

IV. Summary of Significant Accounting Policies

The summary of significant accounting policies used in this consolidated financial report is as follows. The following accounting policies have been consistently applied to all periods of presentation of the consolidated financial statements.

(I) Statement of compliance

These consolidated financial statements are prepared in accordance with the Standards for the Preparation of Financial Statements by Securities Issuers (hereinafter referred to a “Preparation Standards”) and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretation and Interpretation Announcement, as approved and recognized by the FSC.

(II) Basis of preparation

1. Basis of measurement

Except for the following significant items in the balance sheet, this consolidated financial report is prepared on the basis of historical costs:

(1) Financial assets measured at fair value through profit or loss measured at fair value;

(2) Financial assets measured at fair value through other comprehensive profit or loss at fair value; and

(3) Net defined benefit liabilities are measured at the present value of defined benefit obligations, and the effect of the cap referred to Note 4 (16) less the fair value of pension fund assets.

2. Functional currencies and presentation currencies

Each entity of the Consolidated Company uses the currency of its primary economic environment in which it operates as its functional currency. This consolidated financial report is presented in the Company's functional currency NT$. Unless otherwise indicated, all financial information presented in NT$ is presented in NT$ thousand.

(III) Basis of Consolidation

1. Principles for the Preparation of Consolidated Financial Statements

The consolidated financial statements are prepared by the Company and entities controlled by the Company (i.e. subsidiaries). The Company controls an investee when it is exposed to, or has rights to variable returns from its participation in the investee, and has the ability to affect such returns through its rights in the investee.

From the date on which control of the subsidiary is acquired, the financial report of the subsidiary is included in the consolidated financial report until the date of loss of control. Transactions, balances and any unrealised gains and losses between Consolidated Companies, have all been eliminated at the time of preparation of the consolidated financial statements. The total comprehensive profit or loss of the subsidiary is attributable to the owners of the Company and non-controlling interests, respectively, even if the non-controlling interests are thus deficit balance.

The subsidiary's Financial Statements have been appropriately adjusted to align its accounting policies with those used by the Consolidated Company.

Changes in the Consolidated Company's ownership interests in subsidiaries that do not result in the loss of control over subsidiaries are treated as equity transactions with owners. The difference between the adjustment of the non-controlling interest and the fair value of the consideration paid or received is directly recognized as equity and directly recognized in equity and attributable to the owners of the Company.

2. List of Subsidiaries in the Consolidated Financial Statements

			% of ownership	
Name of investor	**Name of subsidiary**	**Nature of business**	**2022.12.31**	**2021.12.31**
The Company	Flexbasis Technology Inc. (Flexbasis)	Manufacturing of metal casings	65.3%	65.3%

3. Subsidiaries not included in the consolidated financial statements: None.

(IV) Foreign currencies

1. Foreign currency transactions

Foreign currency transactions are converted into functional currencies at the exchange rates of the trading day. On the closing date of each subsequent reporting period (hereinafter referred to as the “Reporting Date”), foreign currency monetary items shall be converted into functional currency at the exchange rate of that day. Foreign currency non-monetary items measured at fair value are converted into functional currency at the exchange rate on the date when the fair value is measured, while foreign currency non-monetary items measured at historical cost are converted at the exchange rate on the date of transaction. Foreign currency exchange differences resulting from conversion are normally recognized in profit and loss, except for equity instruments that are designated as being measured at fair value through other comprehensive profit or loss.

2. Foreign operating institutions

Assets and liabilities of foreign operating institutions, including goodwill and fair value adjustments arising at the time of acquisition, are converted into the currency of the consolidated financial statements at the exchange rate of the reporting date. Profit and loss items are converted into the presentation currency of the consolidated financial statements based on the average exchange rate for the period, and the exchange differences arising therefrom shall be recognized in other comprehensive profit or loss.

When the disposal of a foreign operating institution results in a loss of significant influence, the accumulated exchange difference related to the foreign operating institution shall be fully reclassified to profit or loss. When partial disposal includes investments in associates of foreign operating institutions, the relevant accumulated exchange difference shall be classified proportionally into profit and loss.

(V) Criteria for Classification of Assets and Liabilities as Current and Non-current

Assets that meet one of the following conditions are classified as current assets, while other assets that are not current assets are classified as non-current assets:

1. Those expected to be realized or intended to be sold or consumed during the normal operating cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Expected to be achieved within 12 months after the reporting period.
4. Cash or cash equivalents, excluding those subject to other restrictions for which liabilities have been swapped or settled for more than 12 months after the reporting period.

Liabilities that meet one of the following conditions are classified as current liabilities, and all other liabilities are classified as non-current liabilities:

1. Those expected to be liquidated in the normal operating cycle of the Consolidated Company.
2. Held primarily for trading purposes.
3. Those repayment due in 12 months after the reporting period.
4. The Consolidated Company cannot unconditionally extend the repayment period for the liabilities which are more than 12 months after the reporting period.

(VI) Cash and cash equivalents

Cash includes cash on hand, cheque deposits and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into fixed cash with minimal risk of changes in value. Time deposits that meet the above definition and are held for short-term cash commitments rather than for investment or other purposes are reported as cash equivalents.

(VII) Financial Instruments

Accounts receivable are initially recognized when incurred. All other financial assets and financial liabilities are initially recognized when the Consolidated Company becomes a party to the terms of the financial instruments contract. Financial assets at fair value through profit or loss (excluding accounts receivable that do not contain a significant financial component), or financial liabilities are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not include a significant financial component are initially measured at the transaction price.

1. Financial assets

   Financial assets at the time of initial recognition are classified as: financial assets at amortized cost, financial assets at fair value through other comprehensive profit or loss and financial assets at fair value through profit or loss. When purchasing or selling financial assets according to transaction practice, accounting treatment on the transaction date is adopted. The

Consolidated Company reclassifies all affected financial assets from the first day of the next reporting period only when the business model of the managed financial assets is changed.

(1) Financial assets at amortisation cost

Financial assets are measured at amortisation cost when they meet all the following conditions, and are not designated as measured at fair value through profit or loss:

- The financial asset is held under the business model for the purpose of collecting contractual cash flows.
- The contractual terms of these financial assets give rise to cash flows at a specified date, exclusively for the payment of principal and interest on the outstanding principal amount.

After the initial recognition of these financial assets, the effective interest rate method is used to measure the amortised cost less the impairment loss. Interest income, foreign currency exchange gain or loss, and impairment loss are recognized in profit or loss. When de-recognized, the accumulated profit or loss is recognized in profit or loss.

(2) Financial assets at fair value through other comprehensive profit or loss

Upon initial recognition, the Consolidated Company may make an irrevocable choice to report the subsequent changes in fair value of the equity instrument investments not held for trading in other comprehensive profit or loss. The aforementioned choices are made on a tool-by-tool basis.

Equity instrument investments are subsequently measured at fair value Dividend income (unless it clearly represents a partial recovery of Cost of an investment) is recognized in profit or loss. Other net gain or loss is recognized as other comprehensive profit or loss. When derecognising, other comprehensive profit or loss accumulated under equity items is reclassified to retained earnings, not reclassified to profit or loss.

Dividend income from equity investments is recognized on the date on which the Consolidated Company is entitled to receive the dividend (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit or loss

Financial assets other than those aforementioned that measured at amortised cost or at fair value through other comprehensive profit or loss, are measured at fair value through profit or loss, including derivative financial assets. At the time of initial recognition, the Consolidated Company may irrevocably designate financial assets that meet the conditions for measurement at amortised cost or at fair value through other comprehensive profit or loss as financial assets measured at fair value through profit or loss, in order to eliminate or significantly reduce accounting mismatches.

These assets are subsequently measured at fair value and their net profit or loss (including any dividend and interest income) is recognized as profit or loss.

(4) Evaluate whether the contractual cash flow is fully paid for principal and interest on the outstanding principal amount

For the purpose of evaluation, principal is the fair value of a financial asset at the time of its initial recognition, and interest consists of the following considerations: the time value of the currency, the credit risk associated with the amount of the principal outstanding during a given period, and other basic lending risks/ costs/ profit margin.

In valuating whether the contractual cash flow is exclusively for the payment of principal and interest on the outstanding principal amount, the Consolidated Company shall consider the contractual terms of the financial instrument, including the valuation of whether the financial asset contains a contractual term that changes the timing or the amount of the contractual cash flow, resulting in its inability to meet this condition. At the time of valuation, the Consolidated Company considers:

- Any contingency that would change the timing or the amount of the contractual cash flow;
- Possible adjustments to the terms of the contractual coupon rate, including the characteristics of the variable interest rate;
- Early repayment and extension characteristics; and
- The Consolidated Company's recourse rights are limited to the terms of cash flows from specific assets (e.g. non- recourse features).

(5) Impairment of financial assets

The Consolidated Company recognizes allowance losses on expected credit losses on financial assets (including cash and cash equivalents, notes and accounts receivable, deposits and other financial assets, etc.) measured at amortised cost.

For the following financial assets, the loss allowance is measured at the amount of expected credit losses for 12 months, and the rest are measured at the amount of lifetime expected credit losses:

- The credit risk of bank deposits (i.e. the risk of default during the expected lifetime of the financial instrument) has not significantly increased since the initial recognition.

Loss allowance on accounts receivable is measured on the basis of the amount of lifetime expected credit loss.

In judging whether the credit risk has significantly increased after initial recognition, the Consolidated Company shall consider reasonable and verifiable information (without the need of transition cost or input), including qualitative and quantitative information as well as analysis based on historical experience, credit valuation and prospective information.

Lifetime expected credit losses are expected credit losses arising from all possible defaults during the expected lifetime of the financial instrument; expected credit losses for 12 months are expected credit losses arising from potential defaults within period of 12 months after the reporting date (or a shorter period if the expected lifetime of the financial instrument is shorter than 12 months).

The maximum period for which expected credit losses are measured is the maximum contract period for which the merging company is exposed to credit risk.

Expected credit losses are weighted estimates of the probability-weighted estimate of credit losses during the expected lifetime of the financial instrument. Credit losses are measured at the present value of all cash deficiency, that is, the difference between the cash flows receivable by the Consolidated Company under the contract and the cash flows expected to be collected by the Consolidated Company. Expected credit losses are discounted at the effective interest rate of the financial assets.

Loss allowance on financial assets measured at amortised cost is deducted from the carrying amount of the assets.

The total carrying amount of a financial asset is reduced directly when the Consolidated Company cannot reasonably be expected to recover the whole or part of the financial asset. The Consolidated Company analyzes the time and amount of write off individually on a reasonable expectation of recoverability basis. The Consolidated Company expects that the write off amount will not be materially reversed. However, the financial assets that have been written off can still be enforced to comply with the procedures of the Consolidated Company in recovering past due amounts.

(6) Derecognition of financial assets

The Consolidated Company will de-recognize financial assets only when the contractual right to cash flow from the asset is terminated, or when the financial asset has been transferred and substantially all the risks and returns of the ownership of the asset have been transferred to other enterprises, or when substantially all the risks and rewards of ownership neither have been transferred nor retained, and control of the financial asset has not been retained.

The Consolidated Company enters into transactions for the transfer of financial assets and continues to recognize them in the balance sheet to the extent that it retains all or substantially all of the risks and rewards of the ownership of the transferred assets.

2. Financial Liabilities

(1) Financial Liabilities

Financial liabilities are classified at amortised cost or at fair value through profit or loss. Financial liabilities that are held for trading, derivatives or designated at initial recognition are classified at fair value through profit or loss, and the related net profit and loss, including any interest expense, is recognized in profit or loss.

Financial liabilities measured at cost after amortisation are subsequently measured at cost after amortisation using the effective interest method. Interest expense and gain or loss on conversion are recognized in profit or loss. Any gains or losses at the time of derecognition are also recognized in profit or loss.

(2) Derecognition of financial liabilities

Consolidated Companies are excluded from financial liabilities when contractual obligations have been performed, cancelled or become due. When the terms of the financial liabilities are modified and the cash flow of the liabilities after the modification is materially different, the original financial liabilities shall be de-recognized and the new financial liabilities shall be recognized at fair value on the basis of the modified terms.

When financial liabilities are de-recognized, the difference between the carrying amount and the total consideration paid or payable (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

(3) Offset of financial assets and liabilities

Financial assets and financial liabilities are offset and presented in the balance sheet on a net basis only to the extent that the Consolidated Company currently has legally enforceable rights to offset and intend to settle them on a net basis or to realize the assets and liquidate the liabilities simultaneously.

(VIII) Inventories

The original cost of inventories is the necessary expense to bring the inventories to the location in which they are available for sale or production. The fixed production overheads are amortised into finished good and work in process according to the normal capacity of production facilities, while the variable production overheads are amortised based on the actual production output. Thereafter, it is calculated at the lower of the cost and net realisable value. The cost is calculated by the monthly weighted average method. The net realisable value is calculated on the basis of the estimated selling price under normal business conditions at the balance sheet date less the cost and selling expenses that need to be invested until completion.

(IX) Investment in associates

Associates refer to those for which the Consolidated Company has significant influence upon their financial and operation policies but without controlling or joint controlling.

The Consolidated Company adopts the equity method for the equity of associates. Under the equity method, the original acquisition is recognized at cost, and the investment cost includes the cost of the transaction. The carrying amount of an investment in an associate includes the goodwill recognized at the time of the original investment, less any accumulated impairment losses.

The consolidated financial statements shall start from the date of significant impact to the date of loss of significant influence. After making adjustments consistent with the accounting policies of the Consolidated Company, the Consolidated Company shall recognize the profits and losses of the associates and the amount of other comprehensive profit or loss according to the proportion of equity. When the equity of the associates is changed and the shareholding ratio of the Consolidated Company is not affected, the Consolidated Company shall recognize all equity changes as the capital reserve.

Unrealized gains and losses arising from transactions between the Consolidated Company and associates shall be recognized in the enterprise financial statements only to the extent that the investor of non-related party has an interest in the associates.

The Consolidated Company discontinues using the equity method from the date on which its investment ceases to be an associate and retains its interest at fair value through profit or loss. The difference between the fair value of retained interests and the investment carrying amount of the disposal price on the date when the equity method is discontinued, shall be recognized as the profit and loss of the current period. For all amounts previously recognized in other comprehensive profit or loss relating to the investment, the basis of accounting treatment is the same as that required to be complied with by the associate for the direct disposal of the relevant asset or liability, i.e., if the gain or loss previously recognized in other comprehensive profit or loss is reclassified to profit or loss at the time of the disposal of the relevant asset or liability, such gain or loss is reclassified from equity to profit or loss when the enterprise discontinues the equity method. If the Consolidated Company's ownership interest in the associates is reduced but the equity method continues to be applied, the Consolidated Company will reclassify the gain or loss previously recognized in other comprehensive profit or loss related to the reduction of the ownership interest and adjust the reclassification proportionately according to relevant reduction.

(X) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment is measured at cost (including capitalized borrowing costs) less accumulated depreciation and any accumulated impairment.

When the useful life of major components of property, plant and equipment is different, it shall be treated as a separate item (main component) of property, plant and equipment.

Gains or losses on disposal of property, plant and equipment are recognized in profit or loss.

2. Subsequent costs

Subsequent expenses are capitalised only when their future economic benefits are likely to flow to the Consolidated Company.

3. Depreciation

Depreciation is calculated based on the cost of assets less residual value, and is recognized in profit or loss using a straight-line method over the estimated useful life of each component.

Except for the land which is not depreciated, the estimated useful life of the remaining assets in the current period and the comparison period is as follows:

(1) Houses and buildings: 40 years.

(2) Machinery and equipment: 5~8 years.

(3) Transportation equipment: 5 years.

(4) Office facilities: 5 years.

(5) Other equipment: 3~5 years

The depreciation method, useful life, and residual value are reviewed at each reporting date, and the impact of any estimated changes is deferred for adjustment.

(XI) Leases

The Consolidated Company assesses whether the contract is or includes a lease on the date of its formation. If the contract transfers control over the use of the identified asset for a period of time in exchange for consideration, the contract or includes a lease.

The Consolidated Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payment made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date of the lease to the end of the useful life or the end of the lease term, whichever is earlier. In addition, the Consolidated Company periodically assesses whether the right-of-use asset is reduced by impairment losses, if any, the right-of-use asset for certain re-measurements of the lease liability shall be adjusted.

Lease liabilities are initial measurements of the present value of lease benefits unpaid on the start date of the lease. If interest rate implicit in the lease is easy to determined, the discount rate shall be applied. if the rate cannot be reliably determined, the incremental borrowing rate of the Consolidated Company shall be applied. Generally, the Consolidated Company uses the incremental borrowing rate as the discount rate.

Lease benefits measured by lease liabilities include:

1. Fixed benefits, including substantial fixed benefits;
2. Depending on the variable lease benefits based on an index or rate, the index or rate at the start date of the lease is used as the initial measurement;
3. The exercise price or penalty payable upon reasonable determination that the purchase option or the lease termination option will be exercised.

Lease liabilities are subsequently accrued on the basis of the effective interest method and the amount is remeasured when:

1. Changes in future lease benefits due to changes in the index or rate used to determine lease benefits;
2. Changes in the assessment of the lease term as a result of change in the assessment of whether to exercise the extension or termination option;
3. Modification of the subject, scope or other terms of the lease.

When lease liability is remeasured as a result of the aforementioned change in the index or rate used to determine the lease benefits and the change in valuation because of extension or termination, the carrying amount of the right-of-use asset is adjusted accordingly and the remaining remeasured amount is recognized in profit or loss when the carrying amount of the right-of-use asset is reduced to zero.

For lease modifications that change the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or complete termination of the lease. The difference between the amount and the remeasurement amount of the lease liability is recognized in profit or loss.

With respect to short-term leases of parking spaces, the Consolidated Company chose not to recognize the right-of-use assets and lease liabilities, and instead recognized the relevant lease payments as an expense on a straight-line basis over the lease term.

The Consolidated Company chooses to adopt a pragmatic expedient approach for rent concessions of all roadside stores that meet the following conditions, without assessing whether they are lease modifications:

1. Rent concessions incurred as direct result of the COVID-19 pandemic;
2. The revised consideration for the lease resulting from the change in lease benefits is approximately the same as or lesser than the consideration for the lease prior to such change;
3. Any decrease in lease benefits only affects the benefits that were due prior to December 31, 2022; and
4. The other terms and conditions of the lease remain unchanged in substance.

Under the practical expedient approach, when rent concession results in change in lease benefits, the change is recognized as profit or loss at the time of the event or circumstance initiating the rent concession.

(XII) Intangible Assets

Intangible assets are the cost of software purchased externally, which are measured at cost less the accumulated amortisation and accumulated impairment, and are amortized into profit or loss on average over three to five years according to future economic benefit. The Consolidated Company assesses the residual value of the intangible assets, the amortisation period and the amortisation method on each reporting date. Changes in residual value, amortisation period and amortisation method are considered as changes in accounting estimates.

(XIII) Impairment of Non-financial Assets

For non-financial assets other than inventory and deferred income tax assets, the Consolidated Company assesses whether an impairment occurs on each reporting date and estimates the recoverable amount for those assets that show signs of impairment.

The recoverable amount of individual assets or cash-generating units is the higher of the fair value less the costs to sell and its value in use. If the recoverable amount of an individual asset or cash generating unit is less than the carrying amount, the adjustment of the carrying amount of the individual asset or cash-generating unit shall be reduced to the recoverable amount and the impairment loss shall be recognized. Impairment losses are recognized immediately in profit or loss for the current period. Accumulated impairment losses recognized in prior years that subsequently ceased to exist or decreased, shall be reversed to increase the carrying amount of the individual asset or cash-generating unit to its recoverable amount, which does not exceed the carrying amount that would have been depreciated or amortized if the individual asset or cash-generating unit did not recognize impairment loss in prior years.

(XIV) Provision for Liabilities

The recognition of liability provision means a current obligation for past events, so that the Consolidated Company is most likely to outflow resources with economic benefits to settle it in the future, and the amount of the obligation can be reliably estimated.

The provision for warranty liabilities is recognised when the goods or services are sold and is weighted based on historical guarantee information and all possible outcomes in accordance with its associated probability.

(XV) Income from Contracts with Clients

Income is measured at the consideration to which the transfer of goods or services is expected to be entitled. The Consolidated Companies recognize the income when the control over goods or labor service is transferred to client meeting the performance of obligation. The main income items of the Consolidated Company are described as follows:

1. Sale of goods - rugged computers

The Consolidated Company manufactures and sells robust computers to its client. The Consolidated Company recognizes income when control of a product is transferred to a client. The transfer of control over such product means that such product has been delivered to the client. The client can fully determine the sales channel and price of the product, and there is no longer any unfulfilled obligation that would affect the client's acceptance of such product. Delivery is when the client has accepted the product in accordance with the terms of the transaction, the risk of obsolescence and loss has been transferred to the client, and the Consolidated Company has objective evidence that all the acceptance conditions have been satisfied.

The Consolidated Company provides a guarantee for the sales of robust computers in accordance with the agreed specifications and has recognized provision for guarantee liabilities in respect of the obligation. For details, please refer to Note 6 (11).

2. Merchandise for sale - business laptops

The Consolidated Company sells business laptops in the retail market and recognizes income when the product physically delivers it to the client. Prices are mostly paid immediately when the client purchases the product.

3. Labor service income

The Consolidated Company provides client laptop repair services and recognizes the related Income upon completion of the provision of the services.

4. Financial component

The Consolidated Company does not adjust the monetary time value of the transaction price, as the time between the transfer of the goods or labor services to the client and relevant payment from the client is expected to be less than one year.

(XVI) Employee Benefits

1. Defined contribution plans

The obligation to determine the contribution to pension plan is recognized as expense during employee's period of service.

2. Defined benefit plans

The net obligation of the Consolidated Company under a defined benefit pension plan is measured by the present value of the amount of future benefits earned by employees under each benefit plan during the current or prior period, less the fair value of the plan assets. The Consolidated Company's defined benefit obligations are actuarially determined annually by a qualified actuarial practitioner using the projected unit credit method. When the calculation result may be beneficial to the Consolidated Company, the recognized assets are limited to the present value of any economic benefits that can be obtained in the form of contributions refund or reduction in future payments of the plan. In calculating the present value of economic benefits, any minimum funding requirement shall be considered.

The remeasurement of the net defined benefit liability (asset), including any changes in actuarial gains and losses, returns on plan asset (excluding interest) and the impact of the asset cap (excluding interest), is recognized immediately in other comprehensive profit or loss and accumulated in other equity. The net interest expense of the Consolidated Company's determined net defined benefit liability (asset) is determined using the net defined benefit liability (asset) and discount rate determined at the beginning of the annual reporting period. The net interest expense and other expenses of the defined benefit plan are recognized in profit or loss.

When the plan is revised or reduced, the changes in benefits related to the past service costs or reduced benefits or losses are immediately recognized as profit or loss. The Consolidated Company recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

3. Short-term employee benefits

The obligation for short-term employee benefits is measured on non-discounted basis, and is recognized as an expense when the relevant services are rendered. For expected payment amount under short-term cash bonus or dividend scheme, if the Consolidated Company undertakes current obligation of legal or constructive payment for the previous provision of services by employees and the obligation can be reliably estimated, the amount shall be recognized as liability.

(XVII) Income Tax

Income tax includes current and deferred income tax. Except for items related to business combination or direct recognition in equity or other comprehensive profit or loss, income tax and deferred income tax for the current period are recognized in profit or loss.

The current income tax includes the estimated income tax payable or income tax refund receivable calculated, based on the taxable income (loss) of the current year and any adjustments to the income tax payable or income tax refund receivable in previous year.

Deferred income tax is recognized by measuring the temporary difference between the carrying amount of assets and liabilities for financial reporting purpose and their tax base. Deferred income tax is not recognized for temporary differences arising under the following circumstances:

1. Initial recognized asset or liability not falling to transaction of Consolidated Company, without influencing accounting profit and taxable income (loss) at the time of the transaction;
2. Temporary differences arising from the investment in subsidiary, associate, and joint venture equity, the Consolidated Company can control the reversal timing of the temporary difference and is unlikely to be reversed in the foreseeable future; and
3. Taxable temporary differences arising from initial recognition of goodwill.

Unused tax losses and unused income tax credits carried forward, and deductible temporary differences are recognized as deferred tax assets to the extent that future taxable income is probable to be available. In addition, it shall be reevaluated at each reporting date to reduce the relevant income tax benefit to the extent that it is not probable to be realized; or to reverse the previously reduced amount to the extent that it is probable to be sufficient for taxable income.

Deferred income tax is measured at the tax rate at the time of the expected reversal of temporary differences, using the statutory tax rate or the substantively enacted tax rate at the reporting date as the basis.

The Consolidated Company will offset the deferred income tax assets and deferred income tax liabilities only if the following conditions are met simultaneously:

1. Have the legally enforceable right to offset current income tax assets and current income tax liabilities; and
2. Deferred tax assets and deferred tax liabilities are related to one of the following taxable entities subject to income tax levied by the same tax authorities;

(1) The same taxable entity; or

(2) Different taxable entities, provided that each entity intends to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period of expected recovery of deferred tax assets and expected settlement of deferred tax liabilities to a material amount.

(XVIII) Earnings Per Share

The Consolidated Company presents basic and diluted earnings per share attributable to ordinary share equity holders. The Consolidated Company's basic earnings per share is calculated by dividing the profit or loss attributable to the equity holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the current period. Diluted earnings per share is attributed to the profit or loss of the ordinary equity holders of the Company and the weighted average number of ordinary shares outstanding, and is calculated after adjusting the effect of all potential diluted ordinary shares. Potentially diluted ordinary shares of the Consolidated Company are employee remuneration with the option to issue shares.

(XIX) Division Information

The operating division is an operating unit of the Consolidated Company that engages in activities that may result in income and expenses (including income and expenses related to transactions between other divisions of the Consolidated Company). The operation results of all operating divisions are periodically reviewed by the chief operating decision makers of the Consolidated Company, in order to make decisions on the allocation of resources to the division and to evaluate its performance. In addition, it is with separate financial information.

V. Significant Accounting Judgments, Estimates and Key Sources of Uncertainty over Assumptions

When preparing the consolidated financial statements according to preparation standards and IFRS recognized by FSC, the management shall have to make judgment, estimate, and assumption, which may influence the adoption of accounting policies, and the reporting amount of assets, liabilities, incomes, and expenses. Actual results may differ from estimates.

The management has to continuously check the accounting estimate and basic assumptions, and the change in accounting estimate is recognized during the period of change and during the future influenced period.

For the uncertainty of assumptions and estimates, management of the Consolidated Company considers that there are significant risks in the valuation of inventories, which may result in significant adjustments in the coming year, and the relevant information is as follows:

Since the inventory is measured at the lower of cost and net realisable value, the Company must use judgment and evaluation to determine the net realisable value of inventory at the reporting date. Based on business considerations, the Consolidated Company sometimes needs to establish longer-term inventory for some key components. However, the future demand is likely to change. The Consolidated Company assesses the amount of inventory at the reporting date due to obsolescence or below the market selling price, and reduces the cost of inventory to the net realisable value. This inventory valuation is primarily based on estimates of goods demand over specified period in the future. Therefore, it might be subject to significant changes. Please refer to Note 6 (4) for details of inventory valuation.

VI. Explanation on Important Accounting Items

(I) Cash and cash equivalents

		2022.12.31	2021.12.31
Cash on hand	$	381	382
Checking deposit and demand deposit		488,370	499,704
	$	488,751	500,086

On December 31, 2022 and 2021, the Consolidated Company's bank time deposits with original maturity of more than three months were NT $206,100,000 and NT $246,020,000, respectively, which were reported under other financial assets -current.

(II) Financial Instruments

1. Financial assets measured at fair value through profit or loss – current

		2022.12.31	2021.12.31
Monetary funds	$	20,030	120,065

For the amount recognized as profit or loss at fair value, please refer to Note 6 (18).

2. Financial assets measured at fair value through other comprehensive profit or loss - non-current

		2022.12.31	2021.12.31
Unlisted (OTC-listed) company shares	$	19,819	24,683
Foreign-listed company shares		1,034,681	699,339
Total	$	1,054,500	724,022

The shares of Mildef Group AB, an associate of the Consolidated Company, which was partially invested by equity method, were sold in June 2021 with investment return of NT $32,622,000. Mildef Group AB completed an initial public offering and was listed on Nasdaq Stockholm Stock Exchange, Sweden.The shareholding ratio of the Consolidated Company as a result of the aforementioned disposal and post-IPO was reduced to 12.23%. The equity method was discontinued upon assessment that it no longer had a significant influence on the Company. The difference between the book value of the investment under equity method and discontinued using the equity method was recognized as gain on disposal of NT $463,985,000.The remaining shares were converted into financial assets- -non-current at fair value through other comprehensive profit or loss.

The above equity instrument investments by the Consolidated Company are long-term strategic investments and are not held for trading purposes, so they have been designated to be measured at fair value through other comprehensive income.

Information on significant foreign currency equity investments as of the reporting date is as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange rate**	**NT$**	**Foreign currencies**	**Exchange rate**	**NT$**
EUR	$ 575	32.72	18,819	756	31.32	23,863
SEK	351,932	2.94	1,034,681	227,798	3.07	699,339

The Consolidated Company has no disposal of strategic investments in 2022 and 2021, and the accumulated gains and losses during such periods have not been transferred within any equity.

As of December 31, 2022 and 2021, the financial assets of the aforementioned Consolidated Companies have not provided pledge guarantees.

(III) Notes and accounts receivable (including related party)

	2022.12.31	**2021.12.31**
Notes and accounts receivable	$ 96,180	66,079
Accounts receivable--related parties	11,683	6,376
Less: loss allowance	-	(723)
	$ 107,863	**71,732**

The Consolidated Company estimated expected credit losses using a simplified approach for all notes and accounts receivable, i.e., using lifetime expected credit losses, and included forward-looking information. The analysis of expected credit losses on the Consolidated Company’s notes and accounts receivable is as follows:

	2022.12.31			
	Carrying amount of notes and accounts receivable		**Weighted average expected credit loss ratio**	**Allowance for lifetime expected credit losses**
Not past due	$	107,212	0.00001%	-
Past due for 1 to 30 days		651	0.00011%	-
	$	**107,863**		**-**

	2021.12.31			
	Carrying amount of notes and accounts receivable		**Weighted average expected credit loss ratio**	**Allowance for lifetime expected credit losses**
Not past due	$	71,732	0.0000%	-
Past due for more than 365 days		723	100%	723
	$	**72,455**		**723**

Changes in allowance for loss on notes and accounts receivable of the Consolidated Company are as follows:

	2022		2021
Opening balance	$	723	723
Write off amounts as unrecoverable		(723)	-
Closing balance	**$**	**-**	**723**

(IV) Inventories

	2022.12.31		2021.12.31
Goods	$	181,946	120,060
Finished goods		4,175	1,706
Semi-finished goods		155,100	199,532
Work in process		237,646	150,411
Raw materials		462,207	429,451
	$	**1,041,074**	**901,160**

Inventory costs recognized as cost of goods sold in 2022 and 2021 were NT $2,137,352,000 and NT $2,176,505,000, respectively; inventory depreciation losses recognized due to inventory write-down to net realisable value were NT $12,839,000 and NT $15,595,000, respectively, recognized under operating costs.

(V) Investment Accounted for Using Equity Method

The Consolidated Company does not have any individually significant associate, and the aggregate information on the Consolidated Company's share of loss on associates is disclosed as follows:

	2021
Net profit (Loss) for the current period	(24,862)
Total comprehensive profit or loss	**(24,862)**

In 2022, the Consolidated Company has no investment on associate adopting equity method.

As of Q1 2021, an associate which was invested under equity method, issued new shares, and acquired and merged its subsidiary, resulting in the shareholding ratio of the Consolidated Company decreasing from 30.74% to 28.97%. The changes in net equity were recognized in the capital reserve - changes in associates recognized under the equity method amounted to NT $37,626,000.

(VI) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation facilities	Office equipment	Other equipment	Total
Balance on January 1, 2022	$ 147,478	72,299	89,500	7,252	762	71,273	388,564
Additions	-	476	4,419	695	-	12,554	18,144
Disposal	-	-	-	(380)	-	(585)	(965)
Balance on December 31, 2022	**$ 147,478**	**72,775**	**93,919**	**7,567**	**762**	**83,242**	**405,743**
Balance on January 1, 2021	$ 147,478	70,493	86,931	5,752	762	63,805	375,221
Additions	-	1,806	2,569	1,500	-	7,468	13,343
Balance on December 31, 2021	**$ 147,478**	**72,299**	**89,500**	**7,252**	**762**	**71,273**	**388,564**
Balance on January 1, 2022	$ -	24,824	58,497	4,038	405	58,562	146,326
Depreciation	-	2,345	6,000	1,203	48	8,178	17,774
Disposal	-	-	-	(272)	-	(585)	(857)
Balance on December 31, 2022	**$ -**	**27,169**	**64,497**	**4,969**	**453**	**66,155**	**163,243**
Balance on January 1, 2021	$ -	23,072	52,591	2,762	330	49,479	128,234
Depreciation	-	1,752	5,906	1,276	75	9,083	18,092
Balance on December 31, 2021	**$ -**	**24,824**	**58,497**	**4,038**	**405**	**58,562**	**146,326**
Book value:							
December 31, 2022	**$ 147,478**	**45,606**	**29,422**	**2,598**	**309**	**17,087**	**242,500**
January 1, 2021	**$ 147,478**	**47,421**	**34,340**	**2,990**	**432**	**14,326**	**246,987**
December 31, 2021	**$ 147,478**	**47,475**	**31,003**	**3,214**	**357**	**12,711**	**242,238**

As of December 31, 2022 and 2021, the Consolidated Company used the equipment as collateral for the loans of non-financial institutions. For details, please refer to Note 8.

(VII) Right-of-use assets

		Buildings
Cost of right-of-use assets:		
Balance on January 1, 2022	$	137,776
Additions		34,880
Lease modification		680
Decrease		(31,865)
Balance on December 31, 2022	**$**	**141,471**
Balance on January 1, 2021	$	82,425
Additions		56,725
Lease modification		170
Decrease		(1,544)
Balance on December 31, 2021	**$**	**137,776**
Accumulated depreciation of right-of-use assets:		
Balance on January 1, 2022	$	86,265
Depreciation for current period		31,251
Decrease		(25,713)
Balance on December 31, 2022	**$**	**91,803**
Balance on January 1, 2021	$	57,917
Depreciation for current period		29,892
Decrease		(1,544)
Balance on December 31, 2021	**$**	**86,265**
Book value:		
December 31, 2022	**$**	**49,668**
January 1, 2021	**$**	**24,508**
December 31, 2021	**$**	**51,511**

(VIII) Intangible Assets

		Computer software
Cost:		
Balance on January 1, 2022	$	35,620
Additions in current period		6,791
Balance on December 31, 2022	**$**	**42,411**
Balance on January 1, 2021	$	27,316
Additions in current period		8,304
Balance on December 31, 2021	**$**	**35,620**
Accumulated amortization:		
Balance on January 1, 2022	$	27,855
Amortization in current period		5,139
Balance on December 31, 2022	**$**	**32,994**
Balance on January 1, 2021	$	23,202
Amortization in current period		4,653
Balance on December 31, 2021	**$**	**27,855**
Book value:		
Balance on December 31, 2022	**$**	**9,417**
Balance on January 1, 2021	**$**	**4,114**
Balance on December 31, 2021	**$**	**7,765**

Amortisation expenses of intangible assets in 2022 and 2021 which are included under the consolidated statements of comprehensive income:

		2022	2021
Operating costs	$	1,161	199
Operating expenses		3,978	4,454
Total	**$**	**5,139**	**4,653**

(IX) Long-term borrowings

	2021.12.31				
	Currency	Interest rate range	Year in which borrowings are due		Amount
Guaranteed loans from non-financial institutions	NT$	3.79%	109~111	$	1,751
Less: Liabilities due within one year					(1,751)
Total				**$**	**-**
Credit not yet used				**$**	**-**

1. Increase and repayment of loans

   Borrowings from Shinshin Credit Corporation (a subsidiary of Yulon Finance Corporation) in 2019, the amount repaid in 2022 and 2021 was NT $1,751,000 and NT $2,151,000, respectively. For details of interest expense, please refer to Note 6 (18). The loan has been fully repaid in 2022.

2. Collateral for Loans from Non-financial Institutions

   Please refer to Note 8 for the details of subsidiary Flexbasis's assets pledged as collateral for the above-mentioned loan. The collateral for the above-mentioned loan was cancelled on December 21, 2022.

(X) Lease liabilities

The carrying amounts of the Consolidated Company lease liabilities are as follows:

	2022.12.31	2021.12.31
Current	$ 24,808	22,898
Non-current	$ 25,088	28,629

For details of maturity analysis, please refer to Note 6 (19) Financial Instruments.

The amounts of leases recognized in profit or loss are as follows:

	2021	2021
Interest expenses on lease liabilities	$ 725	352
Short-term lease expenses	$ 311	175
COVID-19-related rent concessions	$ 254	432

The amounts recognized in the cash flow statement are as follows:

	2022	2021
Total cash outflow from leases	$ 32,075	30,617

The lease term for stores and plants of the Consolidated Company is usually one to three years. If the lease term expires, the lease term and price shall be renegotiated.

The Consolidated Company chose to apply the exemption from recognizing its relevant right-of-use assets and lease liabilities for parking space, which are short-term leases.

(XI) Provision for Liabilities

	Warranty
Balance on January 1, 2022	$ 4,535
Provision for new liabilities in the current period	5,970
Provision for liabilities used in the current period	(3,650)
Balance on December 31, 2022	$ 6,855
Balance on January 1, 2021	$ 7,796
Provision for new liabilities in the current period	933
Provision for liabilities used in the current period	(4,194)
Balance on December 31, 2021	$ 4,535

The provisions for guarantee liabilities of the Consolidated Company for the years 2022 and 2021 are mainly related to computer sales. The provision for guarantee liabilities is estimated based on the historical guarantee data of the goods sold. The Consolidated Company expects that most of the liabilities will occur successively 1-2 years after the sales.

(XII) Employee Benefits

1. Defined benefit plans

Only the Consolidated Company has defined benefit retirement plans.

Adjustments between the present value of the Company's defined benefit obligations and the fair value of the planned assets are as follows:

	2022.12.31	2021.12.31
Present value of defined benefit obligation	$ 96,319	110,774
Fair value of planned assets	(67,582)	(57,791)
Net defined benefit liabilities	$ 28,737	52,983

The Company's defined benefit plan is a special reserve for employee retirement appropriated to the bank of Taiwan. The payment of employee's pension benefit is calculated based on the base number upon the years of service and the average salary of the six months prior to retirement.

(1) Composition of planned assets

The Retirement Fund appropriated by the Company in accordance with the Labor Standards Act, is subject to the unified management by the Bureau of Labor Funds, Ministry of Labor (hereinafter referred to as the Bureau of Labor Funds). According to the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," as the operation of the fund, the annual minimum income allocated shall not be lower than the accumulated interest calculated at the average yearly rate of the local bank's two-year time deposit rate in the same period.

As of December 31, 2022 and 2021, the balance of the Consolidated Company's banking labor retirement reserve account in Taiwan amounted to NT $67,582,000 and NT $57,791,000, respectively. For information on the utilization of the assets of the Labor Retirement Fund (including the fund's earning rate and asset allocation), please refer to the information published on the website of the Bureau of Labor Fund.

(2) Changes in present value of defined benefit obligations

The changes in present value of the Company's defined benefit obligations are as follows:

		2022	2021
Defined benefit obligations as of January 1	$	110,774	114,583
Current service cost		121	276
Interest cost		684	711
Retirement benefits paid - special account for- employee pension reserve		(4,397)	(3,708)
Net remeasurement of defined benefit liabilities			
- Actuarial loss (gain) resulting from empirical adjustments		(810)	(3,398)
- Actuarial loss (gain) arising from changes in financial assumptions		(10,053)	-
- Actuarial losses (gains) resulting from changes in demographic assumptions		-	2,310
Defined benefit obligations on December 31	**$**	**96,319**	**110,774**

(3) Changes in fair value of planned assets

The changes in the fair value of the Company's defined benefit plan assets are as follows:

		2022	2021
Fair value of defined benefit planned assets on January 1	$	57,791	56,764
Amount allocated to plan		9,234	3,745
Interest income		365	390
Amount of retirement fund paid		(4,397)	(3,708)
Net remeasurement of defined benefit liabilities			
- return on planned assets (excluding current interest)		4,589	600
Fair value of defined benefit planned assets on December 31	**$**	**67,582**	**57,791**

(4) Changes in cap asset effects

The Consolidated Company had no cap asset effect change in the defined benefit plans of 2022 and 2021.

(5) Expense recognized and included in profit or loss

Expenses reported and included as profit or loss by the Company are as follows:

	2022	2021
Current service cost	$ 121	276
Interest on net defined benefit liabilities	319	321
	$ 440	**597**
Operating costs	$ 175	191
Operating expenses	265	406
	$ 440	**597**

(6) Actuarial assumptions

The significant actuarial assumptions used by the Company to determine the present value of its defined benefit obligations at the end of the financial reporting period are as follows:

	2022.12.31	2021.12.31
Discount rate	1.750%	0.625%
Future salary increase rate	3.00%	3.00%

The expected appropriation paid by the Company to the defined benefit plan within one year after December 31, 2022 amounted to NT $3,670,000.

The weighted average duration of defined benefit plans is 13.35 years.

(7) Sensitivity analysis

As on December 31, 2022 and 2021, the carrying amount of the Company's net defined benefit liabilities was NT $28,737,000 and NT $52,983,000, respectively. When the applied discount rate and employee salary adjustment rate increased or decreased by 0.25%, the changes in the present value of the Company's defined benefit obligations as of December 31, 2022 and 2021 are as follows:

	2022.12.31			
	Discount rate		Rate of salary changes	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
Increase (decrease) in present value of defined benefit obligations	$ (2,030)	2,090	2,022	(1,970)

	2021.12.31			
	Discount rate		Rate of salary changes	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
Increase (decrease) in present value of defined benefit obligations	$ (2,638)	2,749	2,634	(2,546)

The above sensitivity analysis is based on the influence of a single assumption change while the others remain unchanged. In practice, changes in many assumptions might be linked. The method adopted for sensitivity analysis is consistent with the method used to calculate the net pension benefit liabilities on the balance sheet.

The methods and assumptions applied In preparing sensitivity analysis In this period are identical to those in the preceding periods.

2. Defined contribution plans

The Consolidated Company's defined contribution plan is based on the Labor Pension Act, and the contribution rate is 6% of the employee monthly salaries to the labor pension personal account prescribed by the Bureau of Labor Insurance. There is no statutory or constructive obligation for the Consolidated Company to pay additional amount, if the Consolidated Company has allocated fixed amount to the Bureau of Labor Insurance.

The retirement benefit expenses under the defined contribution plan of the Consolidated Company for 2022 and 2021, were NT $11,201,000 and NT $10,727,000, respectively.

(XIII) Income Tax

1. Income tax expenses

The details of income tax expense of the Consolidated Company in 2022 and 2021 are as follows:

	2022	2021
Income tax expenses in current period		
Incurred in current period	$ 85,057	107,730
Adjustment of current income tax incurred in the preceding period	(15,012)	4,297
	70,045	112,027
Deferred income tax expenses		
Occurrence and reversal of temporary differences	60	52,775
Income tax expenses	**$ 70,105**	**164,802**

Details of income tax expense recognized under other comprehensive profit or loss are as follows:

	2022	2021
Actuarial gain (loss) on defined benefit plan	3,090	338
Financial assets at fair value through other comprehensive profit or loss	67,069	33,148
Total	**$ 70,159**	**33,486**

Adjustments between the income tax expenses in 2022 and 2021 and the net profit before tax of the Consolidated Company are as follows:

	2022	2021
Net profit before tax	**$ 305,485**	**809,177**
Income tax calculated at the domestic tax rate of the Company	$ 61,097	161,835
Effect of tax rate differences in foreign jurisdictions	-	(16,432)
Tax on undistributed earnings	19,242	2,363
Others	(10,234)	17,036
	$ 70,105	**164,802**

2. Deferred Income Tax Assets and Liabilities

Changes in deferred income tax assets and liabilities in 2022 and 2021 are as follows:

Deferred income tax assets:

	Defined benefit plans	Allowance for Loss on Inventory Valuation	Others	Total
January 1, 2022	$ 9,528	51,528	6,954	68,010
Statement of profit or loss – credit(Debit)	(1,759)	2,568	(869)	(60)
Other comprehensive profit or loss -credit(debit)	(3,090)	-	-	(3,090)
December 31, 2022	**$ 4,679**	**54,096**	**6,085**	**64,860**
January 1, 2021	$ 10,496	48,409	7,582	66,487
Statement of profit or loss – credit(Debit)	(630)	3,119	(628)	1,861
Other comprehensive profit or loss -credit(debit)	(338)	-	-	(338)
December 31, 2021	**$ 9,528**	**51,528**	**6,954**	**68,010**

Deferred income tax liabilities:

	Investment accounted by equity method	Financial assets at fair value through other compre-hensive profit or loss	Total
January 1, 2022	$ -	137,055	137,055
Other comprehensive profit or loss - debit (credit)	-	67,069	67,069
December 31, 2022	**$**	**204,124**	**204,124**
January 1, 2021	$ 49,271	-	49,271
Statement of profit or loss - debit (credit)	(49,271)	103,907	54,636
Other comprehensive profit or loss - debit (credit)	-	33,148	33,148
December 31, 2021	**$ -**	**137,055**	**137,055**

The company's profit-making business income tax settlement declaration has been approved by the agency until 2020.

(XIV) Capital and Other Equity

1. Capital stock - ordinary shares

As of December 31, 2022 and 2021, the total authorized capital stock of the Company amounted to NT $700,000,000, with a par value of NT $10 per share, divided into 70,000 thousand shares, and 58,685 thousand shares were issued.

Capital surplus

		2022.12.31	**2021.12.31**
Premium on share issuance	$	72,650	72,650

According to the provisions of the Company Act, the capital surplus must be preferentially used to cover losses before it can be issued to new shares or cash in proportion to the shareholders' original ratio. Realized capital surplus, as referred to in the preceding paragraph, includes the excess of the proceeds of issuing shares over the par value and the gains incurred from gifts received. According to Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the aggregate annual appropriation of the capital surplus available for allocation shall not exceed ten percent of the paid-up capital.

2. Retained earnings

(1) Legal reserve

When there is no loss in the Company, the legal reserve can be used to issue new shares or cash upon resolution at the Shareholders' Meeting, but must be limited to the part of the reserve that has exceeded 25% of the paid-up capital.

(2) Special reserve

In accordance with the provisions of the Financial Supervisory Commission, when the Company distributes distributable earnings, based on the net deduction of other shareholders' equity of the current period, the special reserve of the same amount shall be drawn from the profit or loss of the current period and the undistributed earnings of the previous period; For the net deduction of other shareholders' equity in the previous period, special reserve of the same amount drawn from the undistributed earnings of the previous period shall not be distributed. If other shareholders' equity deduction has been reversed, the surplus may be distributed in accordance with the reversed portion.

(3) Earnings distribution

In accordance with the provisions of the Articles of Incorporation of the Company, if there is any profit in the annual general accounts of the Company, the Company shall withhold the tax to make up the past losses, and withhold a legal reserve by 10%. However, when the legal reserve has reached the amount of the paid-in capital of the Company, it shall not be withheld anymore. In addition, after the special reserve is raised or transferred as required by laws and regulations, the Company shall accumulate the undistributed earnings, and the Board of Directors shall propose the allocation of surplus to the Shareholders' Meeting for resolution and distribution.

The Company's dividend distribution policy is based on the Company's capital budget, medium-term and long-term operational plan and financial position, and is distributed after the resolution of the shareholders' meeting in accordance with the following principles:

A. Except for the distribution of reserve in accordance with the following item B, the company shall not distribute dividends when there is no surplus, but when the legal reserve has exceeded 50% of the total capital, the excess part can be distributed. The distribution of surplus can be made in the form of stock dividends or cash dividends, and the distribution ratio considerations are as follows:

   a. To meet the Company's needs of expanding its scale of operations in the future;

   b. To maintain a balance in the profitability of the Company's earnings per share;

   c. To consider the Company's cash flow and operating earnings situation.

   Cash dividends shall account for 0% to 100% of the total dividends, and stock dividends shall account for 0% to 80% of the total dividends. Upon decision by the Board of Directors, the dividends shall be distributed by the resolution of the shareholders' meeting.

B. When the Company has no distributable surplus available in the current year, or the amount of the surplus is much lower than the surplus distributed by the Company in the preceding year, or distribute all or part of the reserves for financial, business, and operation considerations according to the laws and regulations, or the regulations of the competent authorities.

   On June 9, 2022 and July 15, 2021, the Company resolved the earnings distribution scheme for 2021 and 2020 through the Annual Shareholders' Meeting, and the dividends distributed to the owners are as follows:

	2021		2020	
	Dividend per share (NT$)	Amount	Dividend per share (NT$)	Amount
Dividends distributed to owners of ordinary shares:				
Cash	$ 3.70	217,137	4.50	264,085

On March 23, 2023, the Board of Directors proposed the following earning distribution scheme for 2022:

	2022	
	Dividend per share (NT$)	Amount
Dividends distributed to owners of ordinary shares:		
Cash	$ 3.60	211,268

3. Other equity (net after-tax)

	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive profit or loss	Remeasurement of defined benefit plan	Total
Balance on January 1, 2022	$ 124,064	(19,010)	105,054
Unrealized gains on financial assets at fair value measurement through other comprehensive profit or loss	263,409	-	263,409
Determination of net after tax actuarial gains and losses of benefit plans	-	12,362	12,362
Balance on December 31, 2022	$ 387,473	(6,648)	380,825

	Unrealized gain or loss on financial assets at fair value measurement through other comprehensive profit or loss	Remeasurement of defined benefit plan	Share of the other comprehensive profit or loss of associates accounted for using the equity method	Total
Balance on January 1, 2021	$ (9,783)	(20,360)	(14,798)	(44,941)
Share of the other comprehensive profit or loss of associates accounted for using the equity method	-	-	14,798	14,798
Unrealized gains on financial assets at fair value measurement through other comprehensive profit or loss	133,847	-	-	133,847
Determination of net after tax actuarial gains and losses of benefit plans	-	1,350	-	1,350
Balance on December 31, 2021	**$ 124,064**	**(19,010)**	**-**	**105,054**

(XV) Earnings Per Share

1. Basic earnings per share

	2022	2021
Net profit attributable to shareholders of ordinary shares of the Company	**228,270**	**638,192**
Weighted average ordinary shares outstanding (thousand shares)	**58,685**	**58,685**
Basic earnings per share (NT$)	**3.89**	**10.87**

2. Diluted earnings per share

	2022	2021
Net profit attributable to shareholders of ordinary shares of the Company	**228,270**	**638,192**
Weighted average ordinary shares outstanding (thousand shares)	58,685	58,685
Effect of employee remuneration	861	866
Weighted average number of ordinary shares outstanding (after adjustment for the effect of dilutive potential ordinary shares)	**59,546**	**59,551**
Diluted earnings per share (NT$)	**3.83**	**10.72**

(XVI) Income from Clients' Contracts

1. Income breakdown

Major products/service lines:

Commercial computer	$	1,790,672	1,860,691
Rugged computer		846,588	768,811
Maintenance services and others		71,106	178,203
	$	**2,708,366**	**2,807,705**

For market information of main sales region, please refer to Note 14 (3)2.

2. Contract balance

		2022.12.31	2021.12.31	110.1.1
Notes and accounts receivable (including related party)	$	107,863	72,455	187,192
Less: loss allowance		-	(723)	(723)
Total	$	**107,863**	**71,732**	**186,469**
Contract liabilities (including related parties)	$	**246,664**	**263,911**	**222,333**

For disclose details on the notes and accounts receivable and impairment thereof, please refer to Note 6 (3).

The contract liabilities mainly arise from advances received from the sales of rugged computers, which will be reclassified to revenue when Consolidated Company delivers the products to clients. The opening balances of contractual liabilities on January 1, 2022 and 2021 were recognized and included as income in 2022 and 2021, amounted for NT $87,474,000 and NT $110,762,000, respectively.

(XVII) Remuneration to employees and directors

In accordance with the provisions of the Articles of Incorporation of the Company, in case of profit earned in the year, 5% ~ 10% of the profit shall be allocated as employee's remuneration, while no more than 3% of the profit shall be allocated as the director's remuneration. However, in case of accumulated losses, the Company shall withhold the amount to make up. The recipients of the employee remuneration in stock or cash in the preceding paragraph include employees at subsidiaries who meet certain criteria.

The estimated amount of employee compensation of the Company for 2022 and 2021 amounted to NT $31,608,000 and NT $42,242,000, respectively. The director's estimated remuneration amounted to NT $6,335,000 and NT $7,312,000, respectively. The estimated amount is calculated on the net profit before tax of the Company, without deducting employee and director compensation, and multiplied by the distribution percentages of employee and director remuneration, as prescribed by the Articles of Incorporation of the Company. It is recognized and included as operating cost or operating expenses for 2022 and 2021. If the employee remuneration is issued in the form of shares, the number of shares allotted shall be calculated based on the closing market price of ordinary shares on the day ahead of the meeting of Board of Directors. In case of a difference between the actual amount allocated and the estimated amount, it shall be treated as a change in accounting estimates.

The remuneration of employees and directors assigned by the resolution of the Board of Directors of the Company does not differ from the aforementioned amount estimated in the 2022 and 2021 financial statements of the Company, and is fully distributed in cash. For relevant information, please refer to the Market Observation Post System (MOPS).

(XVIII) Non-operating income and expenses

1. Interest income

	2022	2021
Interest on bank deposits	$ 2,919	2,140
Other interest income	5,993	6,107
	$ 8,912	**8,247**

2. Other Income

	2022	2021
Dividend income	$ 16,338	8,844
COVID-19-related rent concessions	254	432
Others	1,559	1,215
	$ 18,151	**10,491**

3. Other Gains and Losses

	2022	2021
Foreign exchange gains (losses)	$ 13,155	(5,719)
Net gain on financial assets at fair value through profit or loss	225	357
Others	48	(9)
	$ 13,428	**(5,371)**

4. Financial cost

	2022	2021
Interest expense:		
Loans from non-financial institutions	$ (87)	(105)
Lease liabilities	(725)	(352)
Others	(16)	(26)
Total	**$ (828)**	**(483)**

(XIX) Financial Instruments

1. Types of financial instruments

(1) Financial assets

	2022.12.31	2021.12.31
Financial assets measured at fair value through profit or loss - current:		
Monetary funds	$ 20,030	120,065
Financial assets measured at fair value through other comprehensive profit or loss - non-current:		
Unlisted (OTC-listed) company shares	19,819	24,683
Foreign-listed company shares	1,034,681	699,339
Financial assets measured at amortisation cost:		
Cash and cash equivalents	488,751	500,086
Notes and accounts receivable (including related party)	107,863	71,732
Other financial assets - current	206,100	246,020
Other non-current assets - refundable deposits	5,600	5,600
Total	$ 1,882,844	1,667,525

(2) Financial Liabilities

	December 31, 2022	December 31, 2021
Financial liabilities at amortisation cost:	$	
Loans from non-financial institutions	-	1,751
Lease liabilities	49,896	51,527
Payables	311,328	246,906
Total	$ 361,224	300,184

2. Credit risk

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount of credit risk exposure. The Consolidated Company's maximum amounts of credit risk exposure as of December 31, 2022 and 2021 were NT $1,882,844,000 and NT $1,667,525,000, respectively.

(2) Concentration of credit risk

A significant concentration of credit risk that occurs when the trading counterpart to a financial instrument has a significant concentration of one person, or when there are several counterparts to a financial instrument. Most of them are engaged in similar commercial activities and have similar economic characteristics, so their ability to perform their contracts is similarly affected by economic or other conditions. Of the net accounts receivable (including accounts receivable from related parties) of the Consolidated Company as of December 31, 2022 and 2021, a total of 88% and 87% were composed of four of the clients, which made the Consolidated Company have a concentration of credit risk. In order to reduce credit risk, the Consolidated Company continuously assesses the financial position of clients and strictly monitors the credit line.

3. Liquidity risk

The contractual maturity of the Consolidated Company's financial liabilities is analyzed as follows:

	Contractual cash flows	Less than 6 months	6 -to 12 months	1 -to 2 years	2- to 5 years	Over 5 years
December 31, 2022						
Notes and accounts payable (including related parties)	$ (202,834)	(202,834)	-	-	-	-
Lease liabilities	(50,907)	(15,744)	(9,567)	(12,783)	(12,813)	-
Other payables (including related parties)	(108,494)	(108,494)	-	-	-	-
	$ (362,235)	**(327,072)**	**(9,567)**	**(12,783)**	**(12,813)**	**-**
December 31, 2021						
Notes and accounts payable (including related parties)	$ (130,743)	(130,743)	-	-	-	-
Lease liabilities	(53,605)	(15,042)	(8,605)	(11,599)	(18,043)	(316)
Loans from non-financial institutions	(1,855)	(1,114)	(741)	-	-	-
Other payables (including related parties)	(116,163)	(116,163)	-	-	-	-
	$ (302,366)	**(263,062)**	**(9,346)**	**(11,599)**	**(18,043)**	**(316)**

The Consolidated Company does not expect the cash flows analyzed at maturity to be materially earlier or the actual amount to be materially different.

4. Exchange rate risk

(1) Risk exposures of foreign exchange rate risk

The Consolidated Company’s financial assets and liabilities exposed to significant foreign currency exchange rate risk are as follows:

	2022.12.31			2021.12.31		
	Foreign currencies	**Exchange rate**	**NT$**	**Foreign currencies**	**Exchange rate**	**NT$**
Financial assets						
Monetary item						
US$	$ 4,819	30.17	147,991	5,363	27.68	148,448
Financial Liabilities						
Monetary item						
US$	18	30.17	553	9	27.68	249

Please refer to Note 6 (2) for information on exchange rate risk of non-monetary foreign currency assets.

(2) Sensitivity analysis

The exchange rate risk of the Consolidated Company is mainly derived from cash and cash equivalents denominated in foreign currencies, accounts receivable (including related parties), accounts payable and other payables (including related parties), etc., and foreign currency exchange gains and losses are generated upon conversion. As of December 31, 2022 and 2021, at the premise that the NT$ depreciation or appreciation against US$ by 1%, while all other factors remain unchanged, the net profit before tax for 2022 and 2021 will increase or decrease by NT $1,474,000 and NT $1,482,000, respectively. The two phases of the analysis were based on the same basis.

(3) Exchange gains or losses incurred from monetary items

The exchange gains and losses on monetary items of the Consolidated Company are mainly incurred from the foreign currency transactions that denominated in US$, at the conversion into NT$. As of December 31, 2022 and 2021, the amount of unrealized exchange losses and rate of foreign currency transactions denominated in US$ are as follows:

		2022.12.31	2021.12.31
Unrealized foreign exchange losses (gains) at the end of the period	$	(4,302)	1,917
Exchange rate at the end of the period		30.71	27.68

5. Interest rate risk

On December 31, 2022 and 2021, the Consolidated Company mainly operated with its own funds, and the amount of external borrowings was not significant. The amount of the financial assets of the Consolidated Company was not materially affected by the change in interest rate. Therefore, the management of the Consolidated Company considers that the change in interest rate has no significant impact on its the short-term profit and loss.

6. Fair value information

(1) Financial instruments not measured at fair value

The management of the Consolidated Company considers that the carrying amounts of the financial assets and financial liabilities measured at amortised cost are close to their fair values in the consolidated financial statements.

(2) Financial instruments measured at fair value

The Consolidated Company’s financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive profit or loss are measured at fair value on a recurring basis. Each fair value hierarchy is defined as follows:

A. Level 1: Public offer price (unadjusted) of identical assets or liabilities in active market.

B. Level 2: The input parameters of the asset or liability are observable directly (i.e. at price) or indirectly (i.e. derived from price), except for the public offer price included in Level 1.

C. Level 3: The input parameters of an asset or liability are not based on observable market information (non-observable parameters).

	2022.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Monetary funds	$ 20,030	20,030	-	-	20,030
Financial assets measured at fair value through other comprehensive profit or loss - non-current:					
Unlisted (OTC-listed) company shares	$ 19,819	-	-	19,819	19,819
Foreign-listed company shares	1,034,681	1,034,681	-	-	1,034,681
	$ 1,054,500	1,034,681	-	19,819	1,054,500

	2021.12.31				
		公允價值			
	帳面金額	第一級	第二級	第三級	合計
Financial assets measured at fair value through profit or loss - current:					
Monetary funds	$ 120,065	120,065	-	-	120,065
Financial assets measured at fair value through other comprehensive profit or loss - non-current:					
Unlisted (OTC-listed) company shares	$ 24,683	-	-	24,683	24,683
Foreign-listed company shares	699,339	699,339	-	-	699,339
Total	$ 724,022	699,339	-	24,683	724,022

There is no fair-value measured financial assets and liabilities hierarchy transferring in 2022 and 2021.

(3) Fair value valuation techniques of financial instruments measured at fair value

If there is a market offer price to financial instrument at an active market, the market offer price will be taken as fair value.

There are standard terms and conditions for the money funds and overseas listed stocks held by the Consolidated Company, and such funds and stocks are traded in active markets. The fair values thereof are determined as per the quoted market prices.

Except for the above-mentioned financial instruments with active markets, the fair value of other financial instruments is obtained through valuation techniques or with reference to the offer prices of the transaction counterparties. The fair value is obtained through the valuation technique calculated by refering to the current fair value of other financial instruments with similar material conditions and characteristics, the cash flow discount method or other valuation techniques, including the calculation based on the market information acquirable on the balance sheet date by using models.

The fair values of the unlisted stocks held by the Consolidated Company without active markets are mainly valuated using the income approach based on a discounted cash flow model. It is mainly assumed that the expected future cash flow from the investees will be discounted and measured at the return on investment that reflects the time value of money and investment risk.

(4) Details of changes in the level 3

	Financial assets at fair value through other comprehensive profit or loss
	Equity instruments
January 1, 2022	$ 24,683
Total profit or loss	
Recognized in other comprehensive profit or loss	(4,864)
December 31, 2022	**$ 19,819**
January 1, 2021	$ 23,431
Total profit or loss	
Recognized in other comprehensive profit or loss	1,252
December 31, 2021	**$ 24,683**

The above total profit or loss is recognized and included under "Unrealized valuation gains on equity instrument investments measured at fair value through other comprehensive profit or loss" in the statement of comprehensive income.

(5) Quantitative Information on Fair Value Measurement of Significant Non-observable Input Value (Level 3)

The Consolidated Company's financial instruments at fair value and classified as Level 3 are financial assets at fair value through other comprehensive income - unlisted stocks.

The list of quantitative information for significant non-observable input values is as follows:

Item	Valuation technique	Significant non-observable input	Relation of significant non-observable input value at fair value
Financial assets at fair value through other comprehensive profit or loss unlisted (OTC-listed) company shares	Cash flow discounting method	Shareholders' equity capital cost ratio (7.56% on December 31, 2022; 8.55% on December 31, 2021)	‧ The higher the cost of equity capital, the lower the fair value

(6) For Level 3 fair value measurement, sensitivity analysis of fair value to reasonable and possible alternative assumptions

The measurement of fair values of financial instruments by the Consolidated Company is reasonable, but the use of different valuation models or valuation parameters may result in different valuation results. For financial instruments classified as Level 3, if the valuation parameters change, the effect on other comprehensive income in this period is as follows:

	Input value	Increase or decrease change	Changes of fair value reflected in other comprehensive profit or loss	
			Favorable change	Unfavorable change
December 31, 2022				
Financial assets at fair value through other comprehensive profit or loss				
Unlisted (OTC-listed) company shares	Cost ratio of shareholders' equity capital	0.25%	$ 126	124
December 31, 2021				
Financial assets at fair value through other comprehensive profit or loss				
Unlisted (OTC-listed) company shares	Cost ratio of shareholders' equity capital	0.25%	$ 156	154

The Consolidated Company's favorable and unfavorable changes refer to the fluctuations of fair values, and fair values are calculated with the valuation techniques based on different unobservable inputs. If the fair value of a financial instrument is affected by more than one input, the above table only reflects the effect of changes in a single input without taking into account the correlation and variability between the inputs.

(XX) Financial Risk Management

The Consolidated Company is exposed to credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and other price risks) due to its business activities. This note presents the risk exposure information of the Consolidated Company for each of the above risks, and the objectives, policies and procedures of the Consolidated Company for measuring and managing the risks. Further quantitative disclosures are provided in the notes to the financial statements.

The Board of Directors of the Consolidated Company is responsible for developing and controlling the risk management policies of the Consolidated Company. The risk management policies are established for the purpose of recognizing and analysing the risks faced by the Consolidated Company, setting appropriate risk limits and controls, and supervising compliance with risk and risk limits. Risk management policies and systems are regularly reviewed to reflect market conditions and changes in the operations of the Consolidated Company.

The consolidated company supervises and reviews financial activities in accordance with the relevant regulations and internal control system. The internal auditors play a supervisory role and report the results of the review to the Board of Directors on a regular basis.

1. Credit risk

Credit risk is the risk of financial loss arising from the failure of the Consolidated Company's clients or counter parties of the financial instruments to meet their contractual obligations, mainly including cash, cash equivalents, and fund beneficiary certificates - monetary funds, accounts receivable, and other financial instruments. The bank deposits of the consolidated company are deposited in public and large private financial institutions with good credit; the beneficiary certificates of the funds held are issued by the company with good credit, and there are no major performance concerns. Therefore, it is considered that the bank deposits of the Consolidated Company and the beneficiary certificates of the funds held will not have significant credit risks.

The Consolidated Company has established a credit policy that analyses the financial position of each client individually to determine its credit limit, with continuous evaluation of the financial position of the client on a regular basis.

2. Liquidity risk

Liquidity risk relates to the risk that the Consolidated Company is not able to deliver cash or other financial assets to settle its financial liabilities and fail to meet its relevant obligations. The capital and working capital of the Consolidated

Company is sufficient to meet all contractual obligations. Therefore, there is no liquidity risk arising from the inability to raise funds to meet contractual obligations.

3. Market risk

Market risk is the risk that changes in market prices, such as exchange rates, interest rates, and equity instrument prices, will affect the Consolidated Company's earnings or the value of financial instruments held. The objective of market risk management is to control the degree of market risk exposure within an acceptable extent and optimize the return on investment.

(1) Exchange rate risk

The Consolidated Company is exposed to exchange rate risk arising from sales and purchasing transactions that are not denominated in the functional currency (NT$) of the Consolidated Company. The major currency in which these transactions are denominated in US$ However, the net positions of the foreign currency assets and liabilities of the Consolidated Company are generally not material. Therefore, in addition to continuously controlling the net position of foreign currency risk exposure of the Consolidated Company at an acceptable level, the management of the Consolidated Company considers that the exchange rate risk is not material.

(2) Interest rate risk

The Consolidated Company mainly operates with its own funds, the amount of external borrowing is not significant, and the value of the financial assets held is not materially affected by the change in the interest rate. Therefore, the management of the Consolidated Company considers that the interest rate risk is not significant.

(3) Other market risks

The Consolidated Company incurs the risk of changes in equity price due to equity securities investment of the listed company, which is not held for trading and is a long-term strategic investment.

The monetary funds held by the Consolidated Company are characterised by stable yields and the risk of price changes is insignificant. Therefore, the Consolidated Company does not consider significant market risk for the monetary funds held.

In addition, the management of the Consolidated Company considers that the short-term market risk is not significant, because of the stable operating performance of the unlisted company's shares held by the Consolidated Company, which enables the Consolidated Company to generate continuous dividend income.

The sensitivity analysis of equity instrument price risk is based on changes in fair value at the end of the financial reporting period. If the price of the equity instruments increase/decrease by 5%, the amount of other comprehensive profit or loss for 2022 and 2021 would have increased/decreased by NT $51,734,000 and NT $34,967,000, respectively.

(XXI) Capital Management

Based on the current operating characteristics of the industry and the prospect of the Consolidated Company, taking the changes in the external environment and other factors into account, the Consolidated Company plans the working capital, research and development expenses, dividend expenses, and other needs to ensure the continuous operation of the Company, in order to reward shareholders while taking into account the interests of other stakeholders, and maintain an optimal capital structure to enhance shareholder value in the long term.

The capital and liability ratio on the reporting date is as follows:

		2022.12.31	2021.12.31
Total liabilities	$	886,594	817,979
Less: cash and cash equivalents		488,751	500,086
Net liabilities	$	397,843	317,893
Total equity	$	2,429,068	2,140,190
Capital and liability ratio		16.38%	14.85%

There has been no significant change in the management of the Consolidated Company's capital in 2022.

(XXII) Investment and financing activities for non-cash transactions

1. For acquisition of right-of-use by asset lease, please refer to Note 6 (7).
2. Adjustment of liabilities arising from financing activities is as follows:

				Changes in non-cash items		
		2022.1.1	Cash flows	Additions	Decrease	2022.12.31
Long-term borrowings (including the current portion)	$	1,751	(1,751)	-	-	-
Lease liabilities		51,527	(31,039)	35,560	(6,152	49,896
Total liabilities from financing activities	$	53,278	(32,790)	35,560	(6,152	49,896

				Changes in non-cash items		
		2021.1.1	Cash flows	Additions	Decrease	2021.12.31
Long-term borrowings (including the current portion)	$	3,852	(2,101)	-	-	1,751
Lease liabilities		24,722	(30,090)	56,895	-	51,527
Total liabilities from financing activities	$	28,574	(32,191)	56,895	-	53,278

VII. Related Party Transactions

(I) Name of related party and relations

The related parties had transactions with the Consolidated Company during the period covered by these consolidated financial statements are as follows:

Name of related party	Relations with the Consolidated Company
MilDef Group AB	Associates of the Consolidated Company(Note)
Mildef Products AB	Subsidiary of MilDef Group AB(Note)
MilDef Ltd.	Subsidiary of MilDef Group AB(Note)
MilDef Inc.	Subsidiary of MilDef Group AB(Note)
Roda Computer GmbH	The Consolidated Company is one of the company's three shareholders

(Note) Since June 2021, the Consolidated Company has lost significant influence over MilDef Group AB, which is no longer an associate of the Consolidated Company.

(II) Significant transactions with related parties

1. Operating income

	2022	2021
Associates	$ -	58,895
Other related parties		
Roda Computer GmbH	336,373	376,504
	$ 336,373	435,399

The Consolidated Company's sales conditions to related parties are not significantly different from those to general clients, and the payment term is about 30 to 60 days.

2. Accounts receivable from related parties

	2022.12.31	2021.12.31
Other related parties		
Roda Computer GmbH	$ 11,683	6,376

3. Contractual liabilities of associates (accounted as contractual liabilities)

	2022.12.31	2021.12.31
Other related parties		
Roda Computer GmbH	$ 53,593	76,680

4. Repair and maintenance and other operating revenue

	2022	2021
Associates	$ -	3,083
Other related parties	3,490	7,382
	$ 3,490	10,465

All receivables from the above transactions have been received.

5. Technical Service Fees, Maintenance Fees, and Other Payables

	Technical Service Fees, Maintenance Fees, and Other		Other payables to related parties	
	2022	**2021**	**2022.12.31**	**2021.12.31**
Associates	$ -	4,184	-	-
Other related parties	1,024	857	2,010	-
	$ 1,024	**5,041**	**2,010**	**-**

(III) Remuneration to Major Management Personnel

Remuneration to key management personnel includes:

	2022	2021
Short-term employee benefits	$ 17,314	17,904
Post-employment benefits	108	106
	$ 17,422	**18,010**

VIII. Assets pledged

The details of the book values of the assets pledged by the Consolidated Company are as follows:

Name of asset	Pledge guarantee subject	2022.12.31	2021.12.31
Time deposit	Tariff guarantee	$ 200	200
Property, plant and equipment	Loans from non-financial institutions	-	6,384
		$ 200	**6,584**

IX. Significant Contingent Liabilities and Unrecognized Contractual Commitments: None.

X. Significant Catastrophic Losses: None

XI. Major Events after the Reporting Period

The Consolidated Company invested AU $600,000 on January 5, 2023 to establish MILDEF CRETE AUSTRALASIA PTY. LTD., The company is mainly responsible for sales in Australia and Southeast Asia.

XII. Others

Employee benefits and depreciation and amortization expense are summarized by function as follows:

By function / By nature	2022			2021		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits expenses						
Salary and wages	84,465	165,825	250,290	87,187	174,762	261,949
Labor and health insurance	7,819	15,826	23,645	7,486	15,496	22,982
Pension	3,654	7,987	11,641	3,508	7,816	11,324
Directors' remuneration	-	6,501	6,501	-	7,380	7,380
Other employee benefits expenses	829	2,188	3,017	848	2,414	3,262
Depreciation expense	19,172	29,853	49,025	19,143	28,841	47,984
Amortization expense	1,161	3,978	5,139	199	4,454	4,653

XIII. Notes to Disclosures

(I) Information related to significant transactions

In accordance with the requirements of the Preparation Standards, for the year 2022, the information related to significant transactions that should be disclosed is as follows:

1. Funds lent to others: none.
2. Endorsement for others: none.
3. Description of marketable securities held at the end of the period (excluding interests in invested subsidiaries, associates, and joint venture equity):

Unit: In thousands of shares/thousands of units/NT$ thousand

Company	Type and name of securities held	Relations with the securities issuer	Account	End of the period				Highest share-holding ratio during the period	Remark
				Number of shares	Carrying amount	Share-holding ratio	Fair value/net worth		
The Company	Roda Computer GmbH shares	The Company is one of the three shareholders of this company	Financial assets me	8	18,819	8.00%	18,819	8.00 %	
The Company	Alliance Technology Co., Ltd. shares	-	〃	100	1,000	0.79%	1,000	0.79 %	
The Company	Mildef Group AB Shares		〃	4,356	1,034,681	10.93%	1,034,681	10.93 %	
The Company	Hua Nan Kirin Money Market Fund		Financial assets me	1,213	20,030	-	20,030	-	

4. Accumulative purchase or sale of the same marketable securities amounted to NT $300 million or more than 20% of the paid-in capital: None.
5. Real estate acquisition amounted to NT $300 million or more than 20% of paid-in capital: None.

6. The amount of disposal of real estate amounted to NT $300 million or more than 20% of the paid-in capital: None.
7. The amount of goods purchased or sold with related parties amounts to NT $100 million or 20% or more of the paid-in capital:

Unit: NT$ thousand

Goods purchasing (sales) company	Counter-party	Relation-ships	Transaction details				Situation and reason why transaction conditions are different from general trading		Notes and accounts receivable (payable)		Remark
			Purchase (sales) of goods	Amount	Percent-age of total goods purchas-ing (sales)	Credit period	Unit price	Credit period	Balance	Percentage of total notes and accounts receivable (payable)	
The Company	Roda Computer GmbH	The Company is one of the three shareholders of this company	Sale of goods	336,373	12.42 %	Delivered in 45 days.	-	-	11,683	10.83%	

8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: none.
9. Engaged in derivative transactions: none
10. Business Relations and Important Transactions Between Parent Company and Subsidiaries:

No. (Note 1)	Name of trader	Transaction counterparty	Relation-ship (Note 2)	Transaction details			
				Account	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets (%)
1	Flexbasis	The Company	2	Accounts receivable	3,479	Net 60 days end of the following month	0.10
1	Flexbasis	The Company	2	Sales income	65,547	Net 60 days end of the following month	2.42

Note 1. The serial number is filled in as follows:

1. "0" stands for parent company.
2. Subsidiaries are numbered sequentially starting with the Arabic numeral "1" for each company.

Note 2. The types of relations with the counterparty are indicated as follows:

1. Parent company to subsidiary
2. Subsidiary to parent company

Note 3. The above transactions were written off in the preparation of consolidated financial statements.

(II) Information on Investees

The information on the Company's reinvestment business in 2022 is as follows:

Unit: Thousand shares/NT$ thousand

Name of investor	Name of investee	Location	Main business	Initial investment amount		Holding in the end of the period			Highest share-holding ratio during the period	Gain or loss on investee in this period	Invest-ment income or loss recognized in this period	Re-mark
				End of the current period	End of the previous period	Number of shares	Percent-age	Carrying amount				
The Company	Flexbasis Technology Inc.	New Taipei City	Manufacturing	27,208	27,208	2,416	65.30%	30,008	65.30	21,886	13,382	(Note)

Note: It was written off in the consolidated financial statements.

(III) Information on Investment in Mainland China: None.

(IV) Information on major shareholders:

Name of major shareholder \ Shares	Number of shares held	Shareholding percentage
Shen Yi-tong	3,126,244	5.32%

Note: The main shareholder information in this table is calculated by the Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter, on the data that the shareholder holds more than 5% of the total ordinary share and preference share of the Company (including treasury shares) that have completed the intangible registration and delivery. As for the number of capital stock recorded in the Company's financial statements and the number of shares actually registered and delivered without entity physical registration may be different due to the basis of preparation and calculation.

XIV. Division Information

(I) General information

The main operating items of the Consolidated Company are the production and sales of various computer software/hardware and its peripheral equipment and other products, and the information of the operating division reviewed by the operating decision maker is a single business division.

(II) Information on the reporting division's profit and loss, assets, liabilities and measurement basis and adjustment

The accounting policies of the operating division of the Consolidated Company are the same as the summary of significant accounting policies described in Note 4. The information of the division profit and loss, the divisional assets and the divisional liabilities are consistent with the financial statements. Please refer to the consolidated balance sheets and the consolidated income statements. Operating division gains and losses are measured in profit or loss before tax and are used as a basis for management resource allocation and performance evaluation.

(III) Corporate overall information

1. Product and labor service specific information

The Consolidated Company's income information from external clients is as follows:

Product and service name		2022	2021
Laptop	$	2,637,260	2,629,648
Maintenance services and others		71,106	178,057
	$	2,708,366	2,807,705

2. Geographical information

The geographical information of the Consolidated Company is as follows, where income is classified on the basis of the geographical location of the client, while non-current assets are classified on the basis of the geographical location of the asset.

Income from external clients:

Region		2022	2021
Taiwan	$	1,990,673	2,190,524
Germany		336,373	383,951
Sweden		117,723	112,526
U.S.		195,646	60,538
Other regions		67,951	60,166
	$	2,708,366	2,807,705

Non-current assets:

Region		2022.12.31	2021.12.31
Taiwan	$	301,585	301,514

The above non-current assets include property, plant and equipment, right-of-use assets and intangible assets, but exclude financial instruments, investments using the equity method and deferred income tax assets.

(IV) Important client information

	2022		2021	
Client name	Amount	Percentage to operating income	Amount	Percentage to operating income
Roda Computer GmbH	$ 336,373	12.42	376,504	13.41